

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name PRESQUE ISLE COUNTY ROAD COMMISSION	County PRESQUE ISLE
Audit Date 12/31/04	Opinion Date 3/30/05	Date Accountant Report Submitted to State: 5/10/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY CPAS			
Street Address 60 HARROW LANE	City SAGINAW	State MI	ZIP 48603
Accountant Signature <i>Berthiaume</i>		Date 5-10-05	

PRESQUE ISLE COUNTY ROAD COMMISSION

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**BERTHIAUME
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Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

Honorable Chairman
Members of County Road Commission
County of Presque Isle
Rogers City, Michigan

We have audited the accompanying basic financial statements of the Presque Isle County Road Commission, a component unit of Presque Isle County, Michigan, as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Road Commission. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A complete physical inventory of equipment parts and materials was not taken by the County Road Commission as of December 31, 2004, and we were unable to satisfy ourselves as to the inventory quantities by means of other audit procedures.

In our opinion, except for the effects of the above items, if any, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Presque Isle County Road Commission as of December 31, 2004, and the budgetary comparisons of the County Road Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2-6 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Presque Isle County Road Commission's basic financial statements. The other supplementary information is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Road Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of December 31, 2004.

Berthiaume & Co.

March 30, 2005

PRESQUE ISLE COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION & ANALYSIS

INTRODUCTION:

The Presque Isle County Road Commission (PICRC) is a special purpose government engaged in a single government program of road maintenance and construction in the County of Presque Isle, Michigan. The adoption of *Governmental Accounting Standards Board Statement Number 34* (GASB-34) has changed the PICRC financial statement presentation. In the past, governmental entities were required to report financial information only on the modified accrual accounting method. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. Now, in addition to the governmental fund level information, governmental entities are also required to report financial information on the full accrual method of accounting. The full accrual method of accounting focuses on the entity as a whole and is referred to as government-wide level accounting. For PICRC, the most significant differences between the governmental fund statements and the government-wide statements related to capital assets (buildings and equipment) and infrastructure (roads, bridges, and signals). Capital assets and infrastructure are not recognized as assets and capitalized at the governmental fund level.

The audited financial activities of PICRC are presented herein. These statements include the following:

Statement of Net Assets

Statement of Activities

Governmental Fund Balance Sheet

Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

CONDENSED FINANCIAL STATEMENTS:

The following are condensed government-wide financial statements for PICRC. These reports do not include comparative prior year balances. The comparative statements will be included in future years as the data becomes available.

PRESQUE ISLE COUNTY ROAD COMMISSION

CONDENSED STATEMENT OF NET ASSETS

December 31, 2004

ASSETS:

General fund assets	\$ 2,199,541
Capital assets	<u>19,791,305</u>
Total assets	<u>21,990,846</u>

LIABILITIES:

General fund liabilities	109,359
Liabilities associated with long-term debt	<u>513,720</u>
Total liabilities	<u>623,079</u>

NET ASSETS:

General fund net assets	1,848,741
Invested in capital assets restricted for County roads – net of related debt	<u>19,519,026</u>
Total net assets	<u>\$ 21,367,767</u>

PRESQUE ISLE COUNTY ROAD COMMISSION

CONDENSED STATEMENT OF ACTIVITIES

For the year ended December 31, 2004

REVENUE:

Program Revenue:

License and Permits	\$ 9,407
Federal and State revenue	3,597,897
Contributions from local units	593,419
Charges for services	613,711
Investment earnings/Oil leases	25,426
Other	<u>41,809</u>
Total revenue	<u>4,881,669</u>

EXPENSES:

Primary maintenance	639,309
Local maintenance	1,317,900
State trunkline maintenance	607,273
Net Equipment expense	(289,963)
Administrative	252,154
Infrastructure depreciation	957,895
Compensated absences	3,452
Interest expense	<u>19,232</u>
Total expenses	<u>3,507,252</u>

Change in net assets	1,374,417
Net assets, beginning of year	<u>19,993,350</u>
Net assets, end of year	<u>\$ 21,367,767</u>

PRESQUE ISLE COUNTY ROAD COMMISSION

ADDITIONAL COMMENTS:

The Total Net Assets for the Government-Wide Financial Statements increased by \$1,374,417 during 2004. The majority of the increase reflects an investment in new capital assets, i.e. road improvements and equipment purchases greater than the expenses associated with capital assets such as depreciation and maintenance for the year.

During 2004, the Total Fund Balance for the Fund Financial Statements increased by \$499,988 which was due to increases in revenue. For a more detailed explanation refer to the comparison of amended verses original budget.

Management believes that the Net Assets balance provides sufficient work capital to support future operations of PICRC.

BUDGET:

The PICRC budget is prepared in accordance with state law using the modified accrual accounting basis. This is the same accounting basis used for the governmental fund.

ANALYSIS OF FUND BALANCES:

ORIGINAL BUDGET VERSUS AMENDED BUDGET:

The 2004 budget was adopted on December 30, 2003. The budget is reviewed periodically and amended as information becomes available or management's plans change. The amended budgeted revenue was increased by approximately \$732,000. This increase is due to the following:

During 2004, the Road Commission contracted with the Michigan Department of Transportation (MDOT) to do several projects classified by MDOT as "non-maintenance." The Road Commission performed approximately \$120,000 more State "non-maintenance" projects than was budgeted for the year. The Road Commission also received a U.S. Fish and Wildlife grant for culvert replacement in the amount of \$14,000 along with a grant from MDOT's enhancement fund in the amount of \$131,029 for construction of a bicycle path. Additional contributions from Township agreements for road reconstruction were received in the amount of \$293,418.

The balance of the increase was from adjustments made to several individual revenue items, none of which management considers significant.

Total budgeted expenditures increased from the original budget to the amended budget by \$245,681. The majority of this increase is due to the State Truckline Non-Maintenance Projects and increased fuel costs.

The balance of the increase was from adjustments made to several individual expenditures items, none of which management considers significant.

PRESQUE ISLE COUNTY ROAD COMMISSION

AMENDED BUDGET VERSUS ACTUAL

In accordance with the Budget Resolution adopted by the PICRC on December 30, 2003, the Clerk has modified the budget to various revenue and expenditures accounts which cannot be accurately projected prior to year end. As a result, the Final Adopted Budget of the PICRC has been amended to equal the actual revenue, expenditures, and fund balance for the year ended December 31, 2004.

CAPITAL ASSETS AND LONG-TERM DEBT:

PICRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, in the amount of \$19,791,305. This information, which includes infrastructure, is summarized below.

Land	\$ 4,470
Land improvements	6,407,185
Buildings and improvements	854,494
Road equipment	4,522,821
Other equipment	293,547
Infrastructure and improvements	21,841,442
Total capital assets	33,923,959
Accumulated depreciation	(14,132,654)
Net capital assets	<u>\$ 19,791,305</u>

Additional information regarding capital assets is located in the Notes to the Financial Statements.

OTHER:

Management is aware that the Governmental Accounting Standards Board (GASB) is requiring governmental entities to report and set aside funds for "Other Post-employment Benefits" (OPEB), in our case health insurance. At this time we do not know the full extent of the OPEB cost, but will be required to have a cost actuarial completed by 2008.

CONTACTING THE ROAD COMMISSION'S FINANCIAL MANAGEMENT:

This report is designed to provide the motoring public, citizens, and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the Presque Isle County Road Commission's administrative offices at 657 South Bradley Highway, Rogers City, MI 49779.

BASIC FINANCIAL STATEMENTS

PRESQUE ISLE COUNTY ROAD COMMISSION

STATEMENT OF NET ASSETS

December 31, 2004

ASSETS:

Cash and cash equivalents	\$ 917,534
Accounts Receivable:	
Michigan Transportation Fund	424,733
State trunkline maintenance	97,562
Due from Federal Government	14,000
Due on County Road Agreements	103,280
Sundry accounts	12,949
Interest receivable	1,662
Inventories:	
Road materials	426,381
Equipment parts and materials	152,628
Capital assets (net of accumulated depreciation)	19,791,305
Prepaid Expenses	<u>48,812</u>
Total assets	<u>21,990,846</u>

LIABILITIES:

Current Liabilities:

Accounts payable	89,893
Accrued liabilities	19,466
Current Portion:	
Compensated absences payable	19,500
Installment purchase contracts payable	<u>254,664</u>
Total current liabilities	<u>383,523</u>

Non-Current Liabilities:

Compensated absences payable	221,941
Installment purchase contracts payable	<u>17,615</u>
Total non-current liabilities	<u>239,556</u>
Total liabilities	<u>623,079</u>

NET ASSETS:

Investment in capital fixed assets – net of related debt	19,519,026
Restricted for County roads	<u>1,848,741</u>
Total net assets	<u>\$ 21,367,767</u>

The Notes to Financial Statements are an integral part of this statement.

PRESQUE ISLE COUNTY ROAD COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2004

PROGRAM EXPENSES:

Primary road maintenance	\$ 639,309
Local road maintenance	1,317,900
State trunkline maintenance	607,273
Net equipment expense	(289,963)
Net administrative expense	252,154
Infrastructure depreciation	957,895
Compensated Absences	3,452
Interest expense	<u>19,232</u>
Total program expenses	<u>3,507,252</u>

PROGRAM REVENUE:

License and permits	9,407
Federal grants	444,906
State grants	3,152,991
Contributions from Local Units	593,419
Charges for services	613,711
Investment earnings	25,426
Other revenues	<u>41,809</u>
Total program revenue	<u>4,881,669</u>

Net program revenue	1,374,417
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Net assets, beginning of year	<u>19,993,350</u>
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Net assets, end of year	<u><u>\$ 21,367,767</u></u>
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The Notes to Financial Statements are an integral part of this statement.

PRESQUE ISLE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

GOVERNMENTAL FUND BALANCE SHEET

For the Year Ended December 31, 2004

ASSETS:

Cash and Cash Equivalents:

Imprest cash	\$ 200
Checking and money market savings accounts	367,334
Certificates of Deposit	550,000

Accounts Receivable:

Motor vehicle highway funds	424,733
State trunkline maintenance	97,562
Federal funds	14,000
County road agreement	103,280
Sundry accounts receivable	12,949
Interest Receivable	1,662

Inventories:

Equipment materials and parts	426,381
Road materials	152,628

Other assets:

Prepaid expenses	<u>48,812</u>
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Total assets \$ 2,199,541

LIABILITIES:

Accounts payable	\$ 89,893
Accrued payroll	<u>19,466</u>

Total liabilities 109,359

FUND EQUITY:

Motor Vehicle Highway Funds:

Unreserved:	
Designated:	
Primary	261,705

County Road Commission Fund:

Unreserved:	
Undesignated	<u>1,828,477</u>

Total fund equity 2,090,182

Total liabilities and fund equity \$ 2,199,541

The Notes to Financial Statements are an integral part of this statement.

PRESQUE ISLE COUNTY ROAD COMMISSION

RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO THE STATEMENT OF NET ASSETS

For the Year Ended December 31, 2004

Total governmental fund balance	\$ 2,090,182
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,791,305
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Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the fund. Long-term liabilities at year end consist of the following:

Compensated absences payable	(241,441)
Installment purchase contracts payable	<u>(272,279)</u>

Net assets of governmental activities	<u>\$ 21,367,767</u>
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The Notes to Financial Statements are an integral part of this statement.

PRESQUE ISLE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2004

REVENUES:

Licenses and permits	\$ 9,407
Federal grants	444,906
State grants	3,152,991
Local unit contributions	593,419
Charges for services	613,711
Interest and rents	25,426
Other revenues	<u>41,809</u>
Total revenues	<u>4,881,669</u>

EXPENDITURES:

Public works	4,785,218
Capital outlay	(485,727)
Debt service	<u>82,190</u>
Total expenditures	<u>4,381,681</u>

Excess (deficiency) of revenues over expenditures	499,988
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Fund balance, beginning of year	<u>1,590,194</u>
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Fund balance, end of year	<u>\$ 2,090,182</u>
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The Notes to Financial Statements are an integral part of this statement.

PRESQUE ISLE COUNTY ROAD COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2004

Net change in fund balance – total governmental funds	\$ 499,988
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Amounts reported for governmental activities in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	814,923
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Repayment of installment purchase contracts payable is an expenditure in the governmental funds, but reduces the long-term liabilities in the Statement of Net Assets. This is the amount of repayments reported as expenditures in the governmental funds.	62,958
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Compensated absences reported in the statement of activities do not require the use of current financial resources and is therefore not reported as an expenditure in the governmental fund. This is the amount the liability changed during the current year.	<u>3,452</u>
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Change in net assets of governmental activities	<u>\$ 1,374,417</u>
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The Notes to Financial Statements are an integral part of this statement.

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Presque Isle County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the significant accounting policies used by the Presque Isle County Road Commission.

Effective January 1, 2004, the Presque Isle County Road Commission implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements include the following:

- A Management Discussion and Analysis (MD&A) section providing and analysis of the Road Commission's overall financial position and results of operations has been included in the financial statements.

- Financial statements prepared using full accrual accounting for all of the Road Commission's activities, including infrastructure.

These and other changes are reflected in the accompanying financial statements (including the Notes to the Financial Statements).

A. REPORTING ENTITY

The Presque Isle County Road Commission is an independent governmental agency operated under the jurisdiction of the State of Michigan and Presque Isle County established pursuant the *County Road Law MCL 224.1*. The Commission is charged with the responsibility of maintaining all primary and local road systems in Presque Isle County. The Road Commission is governed by a three member board appointed by the County Board of Commissioners.

In accordance with the provisions of GASB 14, the Presque Isle County Road Commission is considered a component unit of Presque Isle County for financial reporting purposes. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships.

The Road Commission Operating Fund (County Road Fund) is used to control the expenditures of Michigan Transportation Fund moneys distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the County Road Fund. The Road Commission may not issue debt without the County's approval and property tax levies are subject to County Board of Commissioners' approval.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Presque Isle County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either as invested in fixed assets, net of related debt, or restricted net assets.

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers of applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the County Road Fund (governmental fund). The County Road Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported in separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims, and judgments are recorded only when the payment is due.

Michigan transportation funds, grants, permits, township contributions, charges for services and sales, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other items are considered to be available only when cash is received.

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents:

The Road Commission's cash and cash equivalents are considered to be cash on hand, demand deposits including certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

State statutes authorize the Road Commission to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, banker's acceptances, and with some restrictions, mutual funds.

All investments, if any, are stated at fair value.

Inventories:

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory consists of road materials, road signs, repair parts, and supplies to be used by the Road Commission.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items) are reported in the government-wide financial statements. The Presque Isle County Road Commission defines capital assets as either; an asset with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years, or assets of any cost that are assigned a Schedule C rate. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

GASB No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. The Presque Isle County Road Commission has retroactively capitalized all of its assets as required effective January 1, 2004.

Depreciation and Depletion:

Depreciation has been computed over the assets estimated useful lives using the sum-of-the-years-digits method for road equipment and the straight-line method for all other assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	15 to 50 years
Road Equipment	5 to 10 years
Shop Equipment	8 to 10 years
Engineering Department	8 to 10 years
Office Equipment	5 to 10 years
Infrastructure – Roads	5 to 20 years
Infrastructure – Bridges	30 to 50 years

Depletion is determined by allocating the purchase cost of the total years available. As materials are used, the proportionate share of cost is charged to depletion.

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Compensated Absences (Vacation and Sick Leave):

The total accumulated unpaid vacation and sick pay liability of the Road Commission at December 31, 2004, was \$241,441. Of this amount, \$19,500 was estimated to be a current liability and is reflected as a liability on the government-wide statement of net assets. The remaining \$221,941 was determined to be a long-term liability and is therefore reflected as a non-current liability on the government-wide statements. A liability for these amounts is only reported in the governmental funds for known employee terminations as of year-end.

The employee policies regarding the accumulation and payment of vacation and sick leave time are as follows:

VACATION TIME - Maximum carry-forward is 24 days each year. Only 49 days can be used in any one year; unused vacation pay will be paid at current rates at date of employment separation.

SICK LEAVE - A maximum of 90 days can be accumulated. Unused sick leave will be paid 50% at current rates at date of separation to a maximum of 45 days.

Fund Equity:

The Road Commission reserves those portions of fund equity which are legally segregated for a specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for inventories.

Snow Removal Revenue:

Snow removal revenue was allocated 100% to local roads. This allocation is in accordance with provisions made by the State Highway Department allowing each Road Commission to make its own allocation of total snow removal revenue.

Interest Income Allocation:

Interest income for the year was allocated 83% to County Road Commission Funds and 17% to Motor Vehicle Highway Funds based on beginning fund balance (before restatement) allocated to each sub-account.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET AND BUDGETARY ACCOUNTING

The Road Commission follows these procedures in establishing the budget as reflected in these financial statements:

1. In December the clerk submits, to the Commission, a proposed operating budget for the year commencing on January 1.
2. Prior to December 31, the budget is legally enacted through passage of a resolution.
3. For purposes of meeting emergency needs of the Road Commission, transfer of appropriations may be made by the authorization of the clerk. Such transfers of appropriations must be approved by the Commission at its next regularly scheduled meeting.
4. The clerk is charged with general supervision of the budget.
5. During the year the budget is monitored and amendments to the budget resolution are made as deemed necessary.
6. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

B. BUDGET COMPLIANCE

Public Act 2 of 1968, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. For the year ended December 31, 2004 the Road Commission incurred no expenditures in excess of budget appropriations.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Road Commission's deposits and investments, classified by GASB Statement No. 3 at December 31, 2004 are included on the balance sheet under the following classifications:

	<i>BALANCE SHEET CLASSIFICATIONS</i>		
	<i>Cash and Cash Equivalents</i>	<i>Investments</i>	<i>Total</i>
Deposits - Bank	\$ 564,566	\$ -	\$ 564,566
Investments - Bank	352,768	-	352,768
Total	917,334	-	917,334
Petty cash and cash on hand	200	-	200
	<u>\$ 917,534</u>	<u>\$ -</u>	<u>\$ 917,534</u>

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Michigan Compiled Laws, Section 129.91, authorizes the Road Commission to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has adopted the County's investment policy, which is in accordance with the provisions of *Public Act 20 of 1943*.

A. DEPOSITS

At December 31, 2004, the book value of the Road Commission's deposits consisting of savings, demand deposits, and certificates of deposit was \$564,566 with a corresponding bank balance of \$594,984. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank's balance, approximately \$211,295 is insured (credit risk category #1) and the remaining \$383,689 is uninsured and uncollateralized (credit risk category #3).

The County Road Commission's deposits are in accordance with statutory authority.

As required by GASB Statement No. 3, the investments are categorized in these three categories of risk:

Category 1 - Insured or registered, or securities held by the Road Commission or its agent in the Road Commission's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Road Commission's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Road Commission's name.

	CATEGORY			Carrying Amount	Fair Value
	1	2	3		
Investments - Categorized	\$ -	\$ -	\$ -	\$ -	\$ -
Investments not subject to categorization:					
Bank One – Govt. OP MM Fund				<u>352,768</u>	<u>352,768</u>
Total investments				<u>\$ 352,768</u>	<u>\$ 352,768</u>

The investments held by the Road Commission meet state statutory regulations.

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 4 – DEFERRED COMPENSATION PLAN

The Commission offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The Road Commission does not contribute to the Plan.

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the Presque Isle County Road Commission for the current year was as follows:

	<i>Beginning Balances 01/01/04</i>	<i>Additions</i>	<i>Deductions</i>	<i>Ending Balances 12/31/04</i>
Capital Assets Not Being Depreciated				
Land and Improvements-Infrastructure	\$ 5,955,358	\$ 451,827	\$ -	\$ 6,407,185
Land and Improvements-Other	<u>4,470</u>	<u>-</u>	<u>-</u>	<u>4,470</u>
	<u>5,959,828</u>	<u>451,827</u>	<u>-</u>	<u>6,411,655</u>
Capital Assets Being Depreciated				
Depletable Assets	199,686	-	-	199,686
Buildings	854,494	-	-	854,494
Road Equipment	4,523,632	6,291	7,102	4,522,821
Shop Equipment	60,159	2,302	-	62,461
Office Equipment	16,430	-	-	16,430
Engineers Equipment	14,970	-	-	14,970
Infrastructure – Bridges	3,122,760	520,750	50,000	3,593,510
Infrastructure – Roads	<u>16,961,964</u>	<u>1,285,968</u>	<u>-</u>	<u>18,247,932</u>
Subtotal	<u>25,754,095</u>	<u>1,813,011</u>	<u>57,102</u>	<u>27,512,304</u>
Less Accumulated Depreciation				
Depletable Assets	63,616	15,418	-	79,034
Buildings	474,976	26,919	-	501,895
Road Equipment	3,301,909	447,357	7,102	3,742,164
Shop Equipment	47,418	2,383	-	49,801
Office Equipment	13,321	932	-	14,253
Engineers Equipment	10,143	1,311	-	11,454
Infrastructure – Bridges	1,924,241	56,796	50,000	1,931,037
Infrastructure – Roads	<u>6,901,917</u>	<u>901,099</u>	<u>-</u>	<u>7,803,016</u>
Subtotal	<u>12,737,541</u>	<u>1,452,215</u>	<u>57,102</u>	<u>14,132,654</u>
Net Capital Assets Being Depreciated	<u>13,016,554</u>	<u>363,096</u>	<u>-</u>	<u>13,379,650</u>
Total Net Capital Assets	<u>\$ 18,976,382</u>	<u>\$ 814,923</u>	<u>\$ -</u>	<u>\$ 19,791,305</u>

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 5 – CAPITAL ASSETS, continued

Non-infrastructure depreciation expense for the year was charged to programs of the Presque Isle County Road Commission as follows:

Primary Road:	
Heavy Maintenance	\$ 25,013
Maintenance	91,542
Local Road:	
Heavy Maintenance	104,252
Maintenance	174,236
State Trunkline:	
Maintenance	98,346
Administrative	931
Total non-infrastructure depreciation expense	<u>\$ 494,321</u>

NOTE 6 – PENSION PLAN

Description of Plan and Plan Assets

The Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996,

as amended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 6 – PENSION PLAN, continued

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission was required to contribute at an actuarially determined rate; the current rate was 14.64 percent for general employees and 7.28 percent for covered commissioners.

Annual Pension Cost

During the fiscal year ended December 31, 2004, the Road Commission's contributions totaling \$153,246 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 25

<i>Year Ended December 31</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2004	153,246	100%	\$0
2003	172,362	100	0
2002	102,362	100	0

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 7 – FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2004, the Federal grants received and expended by the Road Commission was \$430,906 for contracted projects and \$145,029 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. Negotiated projects are projects where the Road Commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$ 500,000 or more for negotiated projects.

NOTE 8 – POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Road Commission makes available health care benefits to all retired employees. The Road Commission is paying for health insurance for the retired employee, their spouse and/or family members. Currently, twenty-six retirees of the Road Commission are participating in this benefit program. During 2004 the Road Commission paid approximately \$245,582 for health insurance premiums for its retirees under this program. The Road Commission's policy is to finance these benefits on a pay-as-you-go basis.

NOTE 9 – CONTINGENCIES

The Presque Isle County Road Commission contracts with the State of Michigan to perform state highway maintenance functions for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Presque Isle County Road Commission for the costs incurred. These cost reimbursement contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures that may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreement with the Presque Isle County Road Commission. The audit adjustment is accounted for as an adjustment of the current year's expenditures.

The Presque Isle County Road Commission is party to various legal proceedings incidental to its operations. Certain claims, suits and complaints arising in the ordinary course of operations have been filed against the Road Commission. In the opinion of management and legal counsel, all such matters are adequately covered by insurance or, if not so covered, are without merit or are in a very preliminary state, and it is not possible to currently assess the probability of an unfavorable outcome.

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 10 – LONG-TERM DEBT

The following is a summary of the long-term debt transactions for the Road Commission for the year ended December 31, 2004:

	<i>Balance January 1, 2004</i>	<i>Additions</i>	<i>(Reductions)</i>	<i>Balance December 31, 2004</i>	<i>Portion Due Within One Year</i>
GOVERNMENTAL ACTIVITIES:					
<i>Installment Purchase Contracts:</i>					
Roller – original issue of \$84,818 due in annual installments of \$18,319 through the year 2006, bearing interest at 4.00%.	\$ 50,839	\$ -	\$ (16,286)	\$ 34,553	\$ 16,938
Graders – original amount of issue of \$312,000 due in annual installments of \$32,156 through the year 2004 with a balloon of \$227,498 due in 2005, bearing interest at 6.15%.	232,193		(17,876)	214,317	214,317
Tractor – original issue of \$13,961 due in annual installments of \$6,980.15 through the year 2004, bearing interest at 5.10%.	6,642	-	(6,642)	-	-
Tractor – original amount of issue of \$71,453 due in annual installments of \$15,934.89 through the year 2005, bearing interest at 5.615%.	29,313		(14,246)	15,067	15,067
Storage Tank – original amount of issue of \$30,850 due in annual installments of \$8,799.31 through the year 2005, bearing interest at 5.357%.	16,250		(7,908)	8,342	8,342
Compensated Absences Payable	237,989	3,452	-	241,441	19,500
TOTAL LONG-TERM DEBT	\$ 573,226	\$ 3,452	\$ (62,958)	\$ 513,720	\$ 274,164

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

The annual requirements (principal and interest) to amortize all debts (except vacation and sick) outstanding as of December 31, 2004, are as follows:

<i>Year Ending December 31,</i>	<i>Installment Purchase Contracts</i>
2005	\$ 270,551
2006	18,319
2007	-
Totals	<u>\$ 288,870</u>

The accumulated vacation and sick leave is not subject to an annual amortization calculation because it will become due and payable in varying amounts from year to year as employees terminate their employment with the Presque Isle County Road Commission.

NOTE 11 - OPERATING LEASES

The Road Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Road Commission's account groups.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2004:

<i>Year Ending December 31,</i>	<i>Amounts Due</i>
2005	\$ 20,721
2006	20,721
2007	20,721
Total minimum payments required	<u>\$ 62,163</u>

During the year ended December 31, 2004, the Road Commission expended \$20,721 for all operating leases.

PRESQUE ISLE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE 12 – RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Road Commission manages its liability and property risk by participating in Michigan County Road Commission Self Insurance Pool and the County Road Association Self Insurance Fund (for workers compensation). These insurance providers are public entity risk pools providing coverage to its members. The Road Commission pays an annual premium to these providers for its insurance coverage. These providers are self-sustaining through member premiums and provide, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2004, the Road Commission implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Road Commission's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Commission's overall financial position and results of operations has been included.
- Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Road Commission's activities have been provided.
- Capital assets in the Statement of Net Assets include infrastructure assets (roads, bridges, etc.) not previously accounted for by the Road Commission as well as other capital assets totaling \$19,791,305 previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes installment purchase contracts and compensated absences payable totaling \$513,720 previously reported in the General Long-Term Debt Account Group.

REQUIRED SUPPLEMENTAL INFORMATION

PRESQUE ISLE COUNTY ROAD COMMISSION

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

For the Year Ended December 31, 2004

Required Supplementary Information for GASB Statement No. 27

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Underfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percent of Covered Payroll</i>
12/31/00	\$ 6,080,430	\$ 5,488,067	\$ 592,363	90.26%	\$ 1,386,150	94.01%
12/31/01	6,308,287	5,719,176	589,111	90.66	1,440,160	116.92
12/31/02	6,959,093	5,658,507	1,300,586	81.31	1,560,518	152.34
12/31/03	7,251,042	5,864,209	1,338,833	80.87	1,518,589	164.39

PRESQUE ISLE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

STATEMENT OF REVENUES – BUDGET TO ACTUAL

For the Year Ended December 31, 2004

	<i>Original Budget</i>	<i>Final Amended Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
REVENUES:				
<i>Licenses & Permits:</i>				
Permits	\$ -	\$ 9,407	\$ 9,407	\$ -
<i>Federal Grants:</i>				
<i>Federal Revenue:</i>				
Surface Transportation Program	140,000	256,268	256,268	-
Minimum Guarantee Funds - D Funds	110,000	173,922	173,922	-
Surface Transportation Program - Enhancement	65,000	131,029	131,029	-
Surface Transportation Program – Critical Bridge	-	717	717	-
U.S. Fish & Wildlife Service – Culvert Replacement	-	14,000	14,000	-
<i>State Grants:</i>				
<i>Michigan Transportation Fund:</i>				
Engineering	10,000	10,000	10,000	-
Snow removal	69,000	71,925	71,925	-
Primary Road	1,600,000	1,600,450	1,600,450	-
Local road	1,050,000	1,145,711	1,145,711	-
<i>Other:</i>				
State Critical Bridge	-	134	134	-
Salt Shed	-	16,846	16,846	-
<i>Economic Development Fund:</i>				
Rural Primary - D Funds	250,000	89,795	89,795	-
Forest Road	87,000	87,101	87,101	-
<i>Local Unit Contributions:</i>				
<i>County-Raised Funds:</i>				
Township contributions	300,000	593,419	593,419	-
<i>Charges for Services:</i>				
<i>State Revenue:</i>				
State trunkline maintenance	430,000	484,306	484,306	-
State trunkline non-maintenance	-	118,748	118,748	-
<i>Interest and Rents:</i>				
Interest earned	10,000	16,652	16,652	-
Rent/Oil Leases	5,000	8,773	8,773	-
<i>Other Revenues:</i>				
Refunds	-	41,809	41,809	-
Miscellaneous	10,000	10,657	10,657	-
Sale of Assets – Gain	-	-	-	-
Total revenues	<u>\$4,136,000</u>	<u>\$4,881,669</u>	<u>\$4,881,669</u>	<u>\$ -</u>

PRESQUE ISLE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

STATEMENT OF EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

For the Year Ended December 31, 2004

	<i>Original Budget</i>	<i>Final Amended Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
EXPENDITURES:				
<i>Public Works:</i>				
<i>Primary Road:</i>				
Heavy Maintenance	\$ 525,000	\$ 1,311,247	\$ 1,311,247	\$ -
Maintenance	600,000	675,335	675,335	-
<i>Local Road:</i>				
Construction	-	-	-	-
Heavy Maintenance	700,000	947,298	947,298	-
Maintenance	800,000	1,281,874	1,281,874	-
State trunkline maintenance	430,000	488,525	488,525	-
State truckline non-maintenance	-	118,748	118,748	-
<i>Equipment expense (net):</i>				
Direct			849,535	
Indirect			287,321	
Operating			233,956	
Less equipment rental credits			(1,660,775)	
Net equipment expense	(134,700)	(289,963)	(289,963)	-
<i>Administrative expense (net):</i>				
Administrative Expense			313,017	
Less: Handling Charges on				
Materials Sold			(2,762)	
Overhead - State Trunkline			(45,355)	
Overhead - Other			(251)	
Purchase Discounts			(12,495)	
Net administrative expense	197,700	252,154	252,154	-
<i>Capital Outlay (Net):</i>				
Capital outlay			8,594	
Less: Depreciation and depletion			(494,321)	
Net capital outlay	(460,000)	(485,727)	(485,727)	-
<i>Debt Service:</i>				
Interest expense	-	19,232	19,232	-
Long-term debt payments	58,000	62,958	62,958	-
Total expenditures	<u>4,136,000</u>	<u>4,381,681</u>	<u>\$ 4,381,681</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures	-	489,988		
Fund balance - beginning of year	<u>1,590,194</u>	<u>1,590,194</u>		
Fund balance - end of year	<u>\$ 1,590,194</u>	<u>\$ 2,090,182</u>		

OTHER SUPPLEMENTAL INFORMATION

PRESQUE ISLE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

ANALYSIS OF CHANGES IN FUND BALANCES

For the Year Ended December 31, 2004

	<i>Primary Road Fund</i>	<i>Local Road Fund</i>	<i>County Road Commission Fund</i>	<i>Total</i>
Total operating revenues	\$ 2,360,848	\$1,784,388	\$ 736,433	\$ 4,881,669
Total expenditures	2,037,031	2,202,647	142,003	4,381,681
Excess of revenues over (under) expenditures	323,817	(418,259)	594,430	499,988
OTHER FINANCING SOURCES (USES):				
Optional transfers in (out)				
Primary Road to Local Road	(323,817)	323,817	-	-
County Road Commission to Local Road		94,442	(94,442)	
Total other financing sources (uses)	(323,817)	418,259	(94,442)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	499,988	499,988
Fund balance, January 1, 2004	261,705	-	1,328,489	1,590,194
Fund balance, December 31, 2004	\$ 261,705	\$ -	\$ 1,828,477	\$ 2,090,182

PRESQUE ISLE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

ANALYSIS OF REVENUES

For the Year Ended December 31, 2004

	<i>Primary Road Funds</i>	<i>Local Road Funds</i>	<i>County Road Commission Funds</i>	<i>Total</i>
REVENUES:				
<i>Licenses & Permits:</i>				
Permits	\$ -	\$ -	\$ 9,407	\$ 9,407
<i>Federal Grant:</i>				
Surface Transportation Program	256,268	-	-	256,268
Minimum Guarantee Funds – D Funds	173,922	-	-	173,922
Surface Transportation Program- Enhancement	131,029	-	-	131,029
Surface Transportation Program-Critical Bridge	-	717	-	717
U.S. Fish & Wildlife Service - Culvert Replacement	14,000	-	-	14,000
<i>State Grants:</i>				
<i>Motor Vehicle Highway Revenue:</i>				
Engineering	5,200	4,800	-	10,000
Snow removal	-	71,925	-	71,925
Primary road	1,600,450	-	-	1,600,450
Local road	-	1,145,711	-	1,145,711
<i>Other:</i>				
State Critical Bridge	-	134	-	134
Salt Shed	-	-	16,846	16,846
<i>Economic Development Fund:</i>				
Rural Primary – D Funds	89,795	-	-	89,795
Forest Road	-	87,101	-	87,101
<i>Local Unit Contributions:</i>				
Township contributions	87,353	474,000	32,066	593,419
<i>Charges for Services:</i>				
<i>State Revenue:</i>				
State trunkline maintenance	-	-	484,306	484,306
State trunkline non-maintenance	-	-	118,748	118,748
<i>Local Revenue:</i>				
Salvage sales	-	-	-	-
<i>Interest and Rents:</i>				
Interest earned	2,831	-	13,821	16,652
Rents/Oil Leases	-	-	8,773	8,773
<i>Other Revenues:</i>				
Refunds	-	-	41,809	41,809
Contributions	-	-	10,657	10,657
Sale of assets - gain	-	-	-	-
Total Revenues	\$ 2,360,848	\$ 1,784,388	\$ 736,433	\$ 4,881,669

PRESQUE ISLE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

ANALYSIS OF EXPENDITURES

For the Year Ended December 31, 2004

	<i>Primary Road Funds</i>	<i>Local Road Funds</i>	<i>County Road Commission Funds</i>	<i>Total</i>
EXPENDITURES:				
Public Works:				
<i>Primary Road:</i>				
Heavy maintenance	\$ 1,311,247	\$ -	\$ -	\$ 1,311,247
Maintenance	675,335	-	-	675,335
<i>Local Road:</i>				
Heavy maintenance	-	947,298	-	947,298
Maintenance	-	1,281,874	-	1,281,874
State trunkline maintenance	-	-	488,525	488,525
State trunkline non-maintenance	-	-	118,748	118,748
Total maintenance	1,986,582	2,229,172	607,273	4,823,027
Equipment expense (net):				
Direct	200,300	468,341	180,894	849,535
Indirect	67,744	158,397	61,180	287,321
Operating	55,161	128,978	49,817	233,956
Less equipment rental credits	(391,578)	(915,573)	(353,624)	(1,660,775)
Net equipment expense	(68,373)	(159,857)	(61,733)	(289,963)
Administrative Expense (Net):				
Administrative expense	147,502	165,515	-	313,017
Less:				
Handling Charges on Materials Sold	(1,301)	(1,461)	-	(2,762)
Overhead - other	(21,373)	(23,982)	-	(45,355)
Purchase discounts	(118)	(133)	-	(251)
Other	(5,888)	(6,607)	-	(12,495)
Net administrative expense	118,822	133,332	-	252,154
Capital Outlay (Net):				
Capital outlay	-	-	8,594	8,594
Less: Depreciation and depletion	-	-	(494,321)	(494,321)
Net capital outlay	-	-	(485,727)	(485,727)
Debt Service:				
Interest expense	-	-	19,232	19,232
Debt payments	-	-	62,958	62,958
Total debt service	-	-	82,190	82,190
Total Expenditures	\$ 2,037,031	\$ 2,202,647	\$ 142,003	\$ 4,381,681